



**REPORT OF THE AUDITOR OF PUBLIC ACCOUNTS
AUDIT EXAMINATION OF THE
MCCREARY COUNTY CLERK**

Calendar Year 1999

**EDWARD B. HATCHETT, JR.
AUDITOR OF PUBLIC ACCOUNTS
WWW.KYAUDITOR.NET**

**144 CAPITOL ANNEX
FRANKFORT, KY 40601
TELE. (502) 564-5841
FAX (502) 564-2912**



Edward B. Hatchett, Jr.
Auditor of Public Accounts

To the People of Kentucky
Honorable Paul E. Patton, Governor
John P. McCarty, Secretary
Finance and Administration Cabinet
Mike Haydon, Secretary, Revenue Cabinet
Honorable Jimmie W. Greene, McCreary County Judge/Executive
Honorable Jo Kidd, McCreary County Clerk
Members of the McCreary County Fiscal Court

The enclosed report prepared by Berger & Ross, PLLC, Certified Public Accountants, presents the statement of receipts, disbursements, and excess fees of the County Clerk of McCreary County, Kentucky, as of December 31, 1999.

We engaged Berger & Ross, PLLC, to perform the financial audit of this statement. We worked closely with the firm during our report review process; the resulting audit comports with our reporting format. As part of the audit, Berger & Ross, PLLC, evaluated the McCreary County Clerk's internal controls and compliance with applicable laws and regulations.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett".

Edward B. Hatchett, Jr.
Auditor of Public Accounts

Enclosure

**AUDIT EXAMINATION OF THE
McCREARY COUNTY CLERK**

Calendar Year 1999

EXECUTIVE SUMMARY

MCCREARY COUNTY JO KIDD, COUNTY CLERK CALENDAR YEAR 1999 FEE AUDIT

On September 13, 2000, fieldwork was completed on the calendar year 1999 County Clerk's fee audit. An unqualified opinion was rendered on the financial statements.

Receipts And Disbursements:

The County Clerk collected and appropriately distributed \$1,737,933 for calendar year 1999.

Excess Fees:

The County Clerk paid \$32,224 to fiscal court as 1999 excess fees.

Deposits:

The County Clerk's office bank deposits were insured or properly collateralized with bank assets during calendar year 1999.

CONTENTS

	PAGE
Independent Auditor's Report	1
Statement Of Receipts, Disbursements, And Excess Fees	3
Notes To the Financial Statement	6
Comment and Recommendation	9
Report On Compliance And On Internal Control Over Financial Reporting Based On An Audit Of The Financial Statement Performed In Accordance With Government Auditing Standards	10

To the People of Kentucky
Honorable Paul E. Patton, governor
John P. McCarty, Secretary
Finance and Administration Cabinet
Mike Haydon, Secretary, Revenue Cabinet
Honorable Jimmie W. Greene, County Judge/Executive
Honorable Jo Kidd, McCreary County Clerk
Members of the McCreary County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of receipts, disbursements, and excess fees of the County Clerk of McCreary County Kentucky, for the year ended December 31, 1999. This financial statement is the responsibility of the County Clerk. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with generally accepted auditing standards, Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for County Fee Officials issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the County Clerk is required to prepare the financial statement on a prescribed basis of accounting that demonstrates compliance with the cash basis and laws of Kentucky, which is a comprehensive basis of accounting other than generally accepted accounting principles. This cash basis system does not require the maintenance of a general fixed asset group or general long-term debt group of accounts. Accordingly, the accompanying financial statement is not intended to present financial position and results of operations in conformity with generally accepted accounting principles.

To the People of Kentucky
Honorable Paul E. Patton, Governor
John P. McCarty, Secretary
Finance and Administration Cabinet
Mike Haydon, Secretary, Revenue Cabinet
Honorable Jimmie W. Greene, County Judge/Executive
Honorable Jo Kidd, McCreary County Clerk
Members of the McCreary County Fiscal Court

In our opinion, the financial statement referred to above presents fairly, in all material respects, the receipts, disbursements and excess fees of the County Clerk for the year ended December 31, 1999, in conformity with the basis of accounting described above.

Based on the results of our audit, we have presented the accompanying comment and recommendation, included herein, which discusses the following area of noncompliance:

- The County Clerk Should Repay the County for Disallowed Expenditures

In accordance with Government Auditing Standards, we have also issued a report dated September 13, 2000, on our consideration of the County Clerk's compliance with certain laws and regulations and internal control over financial reporting.

Respectfully submitted,



BERGER & ROSS, PLLC

Audit fieldwork completed –
September 13, 2000

MCCREARY COUNTY
JO KIDD, COUNTY CLERK
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES

Calendar Year 1999

Receipts

State Grants	\$ 6,093
State Fee For Services	8,751
Fiscal Court	6,518

Licenses and Taxes:

Motor Vehicle-

Licenses and Transfers	\$ 334,214
Usage Tax	447,873
Tangible Personal Property Tax	481,529

Licenses-

Fish and Game	9,828
Marriage	7,906
Occupational	273

Deed Transfer Tax	13,773
-------------------	--------

Delinquent Tax	<u>284,077</u>	1,579,473
----------------	----------------	-----------

Fees Collected for Services:

Recordings-

Deeds, Easements, and Contracts	\$ 11,697
Real Estate Mortgages	13,050
Chattel Mortgages and Financing Statements	61,377
Powers of Attorney	939
Miscellaneous Recordings	21,367

Charges for Other Services

Copywork	<u>6,615</u>	115,045
----------	--------------	---------

Other:

Bill of Sales	\$ 4,131	
Liens	<u>4,677</u>	8,808

Interest Earned	3,437
-----------------	-------

Miscellaneous	<u>9,808</u>
---------------	--------------

Gross Receipts (Carried Forward)	\$ 1,737,933
----------------------------------	--------------

MCCREARY COUNTY
JO KIDD, COUNTY CLERK
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES
Calendar Year 1999
(Continued)

Gross Receipts (Brought Forward) \$ 1,737,933

Disbursements

Payments to State:

Motor Vehicle-		
Licenses and Transfers	\$ 247,871	
Usage Tax	434,644	
Tangible Personal Property Tax	193,536	
Licenses-		
Fish and Game	8,175	
Delinquent Tax	105,962	
Legal Process Tax	<u>18,331</u>	\$ 1,008,519

Payments to Fiscal Court

Tangible Personal Property Tax	\$ 76,552	
Delinquent Tax	32,784	
Deed Transfer Tax	13,086	
Occupational Licenses	<u>229</u>	122,651

Payments to Other Districts:

Tangible Personal Property Tax	\$ 192,258	
Delinquent Tax	<u>110,613</u>	302,871

Payments to Sheriff 10,753

Operating Disbursements and Capital Outlay:

Personnel Services-	
Deputy Salaries	\$ 111,967
Employee Benefits-	
Employer's Share Social Security	12,989
Employer's Share Retirement	12,886
Employer's Paid Health Insurance	15,292

MCCREARY COUNTY
JO KIDD, COUNTY CLERK
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES
Calendar Year 1999
(Continued)

Disbursements (Continued)

Operating Disbursements and Capital Outlay: (Continued)

Contracted Services-		
Advertising	\$	153
Preparing Tax Bills		4,639
Supplies		
Office Supplies		6,479
Other Charges-		
Conventions and Travel		85
Dues		400
Postage		4,221
Telephone		2,097
Rent		64
Maintenance and Repairs		2,598
Miscellaneous		1,826
Library and Archives Grant		6,093
Capital Outlay		
Office Equipment		7,618
Voting Machine		10,080
	\$	199,487
Total Disbursements	\$	1,644,281
Net Receipts	\$	93,652
Less: Statutory Maximum		57,828
Excess Fees	\$	35,824
Less: Expense Allowance		3,600
Excess Fees Due County for Calendar Year 1999	\$	32,224
Payments to County Treasurer - March 6, 2000		(29,829)
Payments to County Treasurer - September 13, 2000		(2,395)
Balance Due Completion of Audit	\$	-

The accompanying notes are an integral part of the financial statement.

MCCREARY COUNTY
JO KIDD, COUNTY CLERK
NOTES TO THE FINANCIAL STATEMENTS

December 31, 1999

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

A fee official uses a fund to report on the results of operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fee official uses a fund for fees to account for activities for which the government desires periodic determination of the excess of receipts over disbursements to facilitate management control, accountability, and compliance with laws.

B. Basis of Accounting

The financial statements have been prepared on a cash basis of accounting pursuant to Kentucky Revised Statute (KRS) 68.210 as recommended by the State Local Finance Officer. Revenues and related assets are generally recognized when received rather than when earned. Certain expenses are recognized when paid rather than when a liability is incurred, including capital asset purchases. Certain other expenses are recognized when revenue and the related asset can be associated with a corresponding liability due another governmental entity.

The measurement focus of a fee official is upon excess fees. Remittance of excess fees is due to the County Treasurer in the subsequent year.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the County Clerk to invest in the following, including but not limited to, obligations of the United States and of its agencies instrumentalities, obligations, and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

MCCREARY COUNTY
JO KIDD, COUNTY CLERK
NOTES TO THE FINANCIAL STATEMENTS
December 31, 1999
(Continued)

Note 2. Employee Retirement System

The county officials and employees have elected to participate in the County Employees Retirement System (CERS) pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a multiple-employer public retirement system that covers all eligible full-time employees. Benefit contributions and provisions are established by statute. Non-hazardous covered employees are required to contribute 5.0 percent of their salary to the plan. The county's contribution rate for non-hazardous employees was 7.28 percent.

Benefits fully vest on reaching five years of service for non-hazardous employees. Aspects of benefits for non-hazardous employees include retirement after 27 years of service or age 65.

Historical trend information pertaining to CERS' progress in accumulating sufficient assets to pay benefits when due is present in the Kentucky Retirement System's annual financial report which is a matter of public record.

Note 3. Deposits

The County Clerk maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the County Clerk and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were met, and as of December 31, 1999, the County Clerk's deposits were fully insured or collateralized at a 100% level with collateral of either pledged securities held by the County Clerk's agent in the County Clerk's name, or provided surety bond which named the County Clerk as beneficiary/obligee on the bond.

MCCREARY COUNTY
JO KIDD, COUNTY CLERK
NOTES TO THE FINANCIAL STATEMENTS
December 31, 1999
(Continued)

Note 4. Health Insurance Premiums

KRS 61.405 allows county fee officials to purchase twelve (12) months of health insurance coverage for their employees, if excess fees are available. Therefore, the expenditures are allowable. The Attorney General has issued opinion 92-108, which claims the statute is unconstitutional and discriminatory. The Attorney General also issued OAG 94-11 on February 25, 1994, stating health or medical insurance provided uniquely for an official and not in connection with a government program providing benefits to all county employees would be personal in nature.

Note 5. Lease

The office of the County Clerk is committed to a lease agreement for a copier. The agreement requires a monthly payment of \$264 for 36 months to be completed on October 31, 2001. The total balance of the agreement is \$5,817 as of December 31, 1999.

Note 6. Grant

The County Clerk received a local records microfilming grant from the Kentucky Department for Libraries and Archives in the amount of \$5,498 during the calendar year 1999 and had an unexpended grant balance at the beginning of the year of \$595. Funds totalling \$6,093 were expended during calendar year 1999. There was no unexpended grant balance as of December 31, 1999.

MCCREARY COUNTY
JO KIDD, COUNTY CLERK
COMMENT AND RECOMMENDATION

Calendar Year 1999

STATE LAWS AND REGULATIONS

1. The County Clerk Should Repay the County for Disallowed Expenditure

The clerk allows the deputies and herself to have amounts withheld from their paychecks to be deposited into their individual account at the credit union. Each pay period, an employee can have "X" amount of dollars withheld and the clerk sends a check to the credit union to be placed into the individual accounts. In reviewing the payroll withholdings from the deputies' and the clerk's paychecks, we noted that, for the last quarter of the year, the clerk had been making a deposit into the credit union for these withheld amounts once a week while the amounts were only being withheld once every two weeks. Thus, twice as much was being put in the payee's bank account than was being withheld from his/her paycheck. This resulted in \$2,187 being deposited into employees' accounts that was not withheld. The clerk is required to pay and has paid this money back to the fee account as a disallowed expenditure.

THIS PAGE LEFT BLANK INTENTIONALLY

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL
OVER FINANCIAL REPORTING BASED ON AN AUDIT OF THE FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

Honorable Jimmie W. Greene, County Judge/Executive
Honorable Jo Kidd, McCreary County Clerk
Members of the McCreary County Fiscal Court

Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of The Financial
Statements Performed In Accordance With Government auditing Standards

We have audited the McCreary County Clerk for calendar year 1999, and have issued our report thereon dated September 13, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the McCreary County Clerk's financial statement for calendar year 1999, is free of material misstatement, we performed tests of compliance with certain provisions of laws and regulations, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the McCreary County Clerk's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statement and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatement in amounts that would be material in relation to the financial statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Honorable Jimmie W. Greene, County Judge/Executive
Honorable Jo Kidd, McCreary County Clerk
Members of the McCreary County Fiscal Court
Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards
(Continued)

This report is intended solely for the information and use of management and is not intended to be and should not be used by anyone other than the specified party. However, this report, upon release, is a matter of public record and its distribution is not limited.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Berger & Ross", with a long horizontal flourish extending to the right.

BERGER & ROSS, PLLC

Audit Fieldwork completed –
September 13, 2000

